

CITY OF WAPATO
Yakima County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified In The City Of Wapato Police Department

Our audit of the financial records of the City of Wapato Police Department revealed that at least \$1,475 in public funds was misappropriated by an employee during the period October 10, 1995, through October 11, 1995. Accounting records were falsified in an attempt to conceal this loss. There were no federal funds involved in this case.

On October 20, 1995, the City of Wapato notified us of a theft of funds from the jail inmate property room. The City of Yakima Police Department conducted an investigation of this loss, which included interviews with City of Wapato Police Department employees, and referred the case to the Yakima County Prosecuting Attorney's Office for further review and action. We have reviewed the work performed by the City of Yakima Police Department and agree with the results of their investigation. These funds were misappropriated as described below.

Cash was stolen from a jail prisoner's property bag while the inmate was in the custody of the Wapato Police Department. The inmate's booking receipt was altered to conceal the loss of funds which occurred sometime between 1:30 a.m. on October 10, 1995, and 8:30 a.m. on October 11, 1995. The theft was discovered when the prisoner was released from custody on October 11, 1995. The city has already filed a claim with their insurance bonding company and been reimbursed for this loss of funds.

RCW 42.20.070 states:

Misappropriation and falsification of accounts by public officer.

Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government or of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or

obliterate any such account; or

(4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

This theft occurred because an employee did not follow established police department procedures for securing the property of jail inmates. However, these procedures have been changed since this theft to limit the city's exposure to any future theft of funds from prisoner's property bags.

We recommend the city seek recovery of the audit/investigation costs from the employee and their insurance bonding company. We further recommend the Washington State Office of the Attorney General and Yakima County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

Association Of Washington Cities Risk Management Service Agency
Blanket Employee Dishonesty Including Faithful Performance
\$250,000 With no Deductible Provision
January 1, 1995, through January 1, 1996

2. Public Funds Were Misappropriated From The City Of Wapato Treasurer's Office

On October 20, 1995, the City of Wapato notified us of a theft of funds from cash receipts of the water-sewer utility system. Our subsequent audit of the financial records of the city revealed that at least \$376.54 in public funds was misappropriated by an unidentified employee during the period June 2, 1995, through October 5, 1995. There were no federal funds involved in this case. These funds were misappropriated as described below.

Cash was stolen from receipt transactions processed over-the-counter before these customer payments were recorded in the accounting system and deposited in the bank. Utility stubs receipted into the cashier's drawers were removed along with an equal amount of cash to prevent detection of this loss. Customers subsequently presented their paid utility stubs for these transactions to resolve billing discrepancies. City managers then used these documents to determine the amount of the loss in this case.

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- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her; or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account; or
- (4) Shall willfully omit or refuse to pay over to the state, its officer or agent authorized by law to receive the same, or to such county, city, town, or such school, diking, drainage, or irrigation district or to the proper officer or authority empowered to demand and receive the same, any money received by him or her as such officer when it is a duty imposed upon him or her by law to pay over and account for the same, shall be punished by imprisonment in a state correctional facility for not more than fifteen years.

The following internal control weaknesses allowed these losses to occur and not be detected in a timely manner:

- a. The cashier who processed utility payments was not adequately identified on the customer portion of paid utility stubs.
- b. Cash drawers were occasionally left unlocked when the assigned cashier left the area.

We recommend the City of Wapato seek recovery of the misappropriated \$376.54 and related audit/investigation costs from their insurance bonding company. We further recommend the Washington State Office of the Attorney General and the Yakima County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Bond coverage for city employees is as follows:

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We also recommend the city review overall accounting controls, correct the weaknesses outlined above, and implement an effective system of internal control designed to ensure protection of public assets.

3. The City Should Comply With Budget Requirements

During our audit, we noted that the following funds incurred expenditures in excess of budget appropriations. This condition was also reported in our 1991 and 1993 audit reports.

<u>Fund</u>	<u>Actual Expenditures</u>	<u>Budgeted Expenditures</u>	<u>Amount In Excess Of The Budget</u>
Police Auxiliary	\$ 1,608	\$ 1,150	\$ 458
Housing Authority	31,364	27,000	4,364
Library	26,718	26,238	480

RCW 35.33.121 states in part:

. . . the expenditures of city or town funds or the incurring of current liabilities on behalf of the city or town shall be limited to the following:

(1) The total amount appropriated for each fund in the budget for the current fiscal year

RCW 35.33.125 states in part:

. . . The clerk shall issue no warrant and the city or town legislative body or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund, except upon an order of a court of competent jurisdiction or for emergencies as provided in this chapter.

Expenditures exceeded appropriations because city officials did not monitor and amend fund budgets appropriately.

Failure of the city to monitor and amend budgets in a timely manner is contrary to the statutory requirements cited and hinders the management of available public resources.

We again recommend that the city improve their controls over the budget process to ensure compliance with budgetary requirements.